



**REMARKS OF
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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**PRESENTED AT THE
2006 OFFICE OF GENERAL COUNSEL'S
DEPARTMENT ENFORCEMENT CENTER
TRAINING CONFERENCE
WEDNESDAY, AUGUST 2ND, 2006
9:00 A.M., LOCAL TIME
HILTON GARDEN INN
CHICAGO, IL
[as prepared for delivery]**

Good morning.

Thank you George for that generous and very kind introduction.

Thank you all very much for that warm welcome.

I would like to welcome you to Chicago as we open the 2006 Office of General Counsel's Department Enforcement Center (DEC) Training Conference.

Notwithstanding that it is close to 100 degrees outside, I am very glad to be with you folks for the next few days. I am excited that we have this opportunity, the first in six years, to bring together from all over the nation so many folks from DEC's offices in Washington, D.C., Los Angeles, Atlanta, New York, Chicago and Fort Worth.

As I am fond of announcing, I have a relatively new, very beautiful baby girl back home so I try to minimize time away from Washington, D.C. That I am here with you this morning in Chicago, and away from my little girl for what will be a total of three days, is a testament to how much I value the important work that you all do at the DEC and the importance I place on the DEC's contribution to HUD's mission.

This is my second trip to Chicago as General Counsel of HUD and it is a wonderful place for us to hold a conference like this. Some of you may know that I grew up in New York City so obviously I have some affinity and comfort with large cities and urban settings.

I have a special fondness for Chicago. Believe it or not, it was almost exactly a year ago that my wife and I were driving across country on Interstate 80 from California to Washington, DC when we decided to take a little side trip to see Chicago. I had been here before but it was my wife's first time to the windy city and I wanted to show her what a great city this is.

Just after we stopped to get some lunch a few blocks from here, I got a call from the White House that President Bush was prepared to nominate me that day as General Counsel of HUD. I had to run into a local Kinko's to retrieve a copy of the announcement from the White House Press Office. So for me Chicago is a special town.

Given that I just got to HUD, I am completely focused on the here and the now and what we can accomplish together over the next three years. Hopefully, it will be a while until I need to focus on my next career stop but Chicago is definitely a city that I would consider moving my family to.

I know we have a busy agenda over the next three days, but I hope you each get to experience a little of Chicago.

Chicago is known for many things. If you arrive here by plane through O'Hare airport, you would not be surprised to learn that O'Hare is often our nation's busiest airport or, if not the busiest, then tied with Hartsfield Airport in Atlanta. However, most of you probably don't know that Chicago is the birthplace of air travel. The first commercial air passenger departed Chicago for San Francisco on July 2, 1927.

Chicago is a great city for kids and I look forward to bringing my daughter here in the very near future. One of the things I have learned as a new father is that you start seeing things very differently. You start thinking more like a kid and you start paying attention to things that are relevant to and more exciting for children than us adults. It is truly a wonderful experience, one I liken to seeing in color for the first time.

For the kid in all of us, Chicago has to have a special place. Chicago is the birthplace of the Ferris wheel, Walt Disney, the Twinkie, Indiana

Jones or as his mother named him Harrison Ford, softball and, one of my favorite restaurants, McDonald's. I am already looking forward to taking my daughter to McDonald's, my very first employer some twenty-five years ago, for her first happy meal.

Chicago is also home to the world's largest cookie factory on Kedzie Avenue, the world's largest ice cream cone factory on Langley Avenue, the world's largest chewing gum manufacturer and the world's largest indoor aquarium. Whether you have kids or just want to feel like a kid again, Chicago has lots to offer.

I did not travel to Chicago alone. I brought with me someone you are all familiar with - George Weidenfeller, HUD's long-time Deputy General Counsel and a man who has committed his entire professional career to enhancing and improving affordable housing. As most of you know, George is also the glue that holds the Office of General Counsel together.

As some of you may know, in two weeks, the Office of General Counsel is also holding its field counsel conference here in Chicago so some of us will have another opportunity to experience Chicago, though hopefully not this oppressive heat, later this month.

At the end of the day our agency's success is dependent on our most important asset – our employees. That is why it is so important to have training conferences such as this one and the one we will be

having here in two weeks, so that our employees have the tools and skills they need in carrying out their duties effectively.

I'm looking forward to a very productive and educational training conference and, knowing that Margie oversaw the planning and the development of the program for the next three days, I'm sure it will be just that.

I also want to add my thanks to Pat Baker and Marceline Yearwood for all their work in planning and coordinating this conference.

I am delighted that on Thursday morning we will be joined by representatives of the Office of Inspector General (OIG). I view the OIG as an important partner and I am delighted that today we have established a very close and productive working relationship with the OIG. OIG has audited the DEC twice, and has noted the DEC's efforts in addressing and resolving problems with the most troubled HUD insured or subsidized multifamily properties. Because of the confidence that the OIG has in the DEC, today it refers audit requests for administrative sanctions directly to the DEC, rather than to the program office.

I'd like to take a minute to commend Margie Maisonet for all the work she does as the DEC Director. While Margie is the only non-attorney in on the Office of General Counsel's senior management team, she is truly one of our best managers. She has my complete confidence and that of the Deputy General Counsel. I know that sometimes it's

not an easy job, but trust me, neither is being General Counsel, but because of her, countless people in this country have safer and more decent housing to live in that they might not otherwise have.

Most of you probably know that Margie has been the DEC Director since 2004 and before that was the Chicago DEC Satellite Office Director and prior to that worked in the Chicago Multifamily Hub for more than 8 years, serving in a variety of capacities.

Margie, thank you for all your hard work, your commitment and your dedication to HUD and to improving the quality of affordable housing across the nation.

I'd also like to thank the other members of the DEC leadership team. Henry Czauski, the DEC Deputy Director, brings with him many years of experience and impressive accomplishments, including service as HUD's Regional Counsel in New York and New Jersey. Henry has been with the Department, and in OGC, for almost 27 years – since September 1979.

Becky Shank, the DEC Operations Director, has served the Department in the Office of Consumer and Regulatory Affairs in Single Family Housing, the RESPA/Interstate Land Sales Division and in OGC's Litigation and Program Compliance Divisions.

Art Orton has been with HUD 31 years. He started in the Office of Housing and joined the DEC in 1999 as a Financial Compliance Analyst in the Mortgagee Review Board Division.

I also want to thank all the DEC Satellite Office Directors that are here with us – Paul Aprigliano from New York, Donnie Hamm from Atlanta, Jim Pollock from Chicago and Tommy Visage from Dallas.

The Associate General Counsel for Program Enforcement, John Herold, is also here. As many of you know, prior to the merger of the DEC into OGC, John was the chief counsel to the DEC. Earlier this year, John presided over the settlement of the largest civil enforcement action in the history of the FHA program. Because of John's and his team's work, that action was settled for approximately \$45 million.

I would also like to say a few words about Secretary Alphonso Jackson and Deputy Secretary Roy Bernardi. We are very fortunate to have at HUD's helm two leaders who understood the need to provide for affordable housing long before they came to HUD.

Secretary Jackson is very familiar with affordable housing programs. He knows public housing. As many of you know, Secretary Jackson is the first HUD Secretary to ever run a public housing authority. He managed the Housing Authorities in St. Louis, Washington, D.C. and Dallas and brings a unique perspective to HUD.

As many of you may also know, Deputy Secretary Bernardi is the former Mayor of Syracuse, New York where he worked tirelessly to improve access to affordable housing for the residents of Syracuse.

When it comes to affordable housing they understand the complexities that are involved and the flexibility that is required for HUD and our partners to achieve our shared mission. But most importantly, the Secretary, along with everyone else at HUD, realizes that the residents whom affordable housing serves are our greatest concern.

On behalf of Secretary Jackson, Deputy Secretary Bernardi, and myself, thank you all for being here and thank you for the work you do in support of HUD's important mission of promoting affordable housing and ensuring that all Americans have access to safe, decent and sanitary housing.

Thank you for your continued service to your nation and the American people. Thank you for ensuring that affordable housing is a place of promise, a place to nurture, a place to grow the seeds of citizenship and a place for folks to build opportunity for a better life.

The work the DEC does is invaluable. Its mission is to “[promote] program integrity, management accountability and the physical and financial viability of HUD-insured and assisted housing by taking effective and aggressive civil or administrative enforcement action against those who violate or abuse HUD's requirements.”

What that means is that the work you do every day helps ensure that more Americans have a place to call home and that their home is safe, clean, and financially secure.

Due to the efforts of the DEC in the area of physical referrals, the General Accountability Office removed the multifamily program from its high-risk list in FY2005 due to the overall improvements in the physical condition of the portfolio. That was a major accomplishment and is something we should all be proud of.

We've also seen a decline in the number of annual financial statement cases, and since 2002 the DEC has collected close to \$5 million in civil money penalties for overdue financial statements. Since the DEC's creation, HUD has required multifamily housing owners to return close to \$200 million to properties' accounts to promote more sound financial positions to ensure the properties have the resources to improve their physical condition when needed. That is an impressive number and one that I hope to see us continuously improve upon. Nevertheless, you all should be very proud. Because of all of you, the FHA fund is more secure and less at risk.

To give you a few examples of how the DEC's enforcement activities have bolstered the front end of HUD's work, consider that last year alone:

- DEC issued to 559 owners notices of violation of regulatory agreements or notices of default of HAP contracts.

- DEC took 723 compliance actions against HUD program participants, consisting of 196 suspensions, 263 proposed debarments and 264 final debarments.

In fiscal year 2005, the DEC closed thirty-one audit recommendation referrals from OIG. These recommendations included:

- The resolution of over \$1,000,000 in unauthorized or questioned project funds through collection, reimbursement or negotiated settlement;
- Assisting the Office of Housing in closing two audits containing thirteen audit recommendations, which had been listed in the OIG Semi-Annual Report to Congress for the past two reporting periods for not meeting target dates; and
- The issuance of proposed and final debarments against management agents and other HUD participants for failure to adhere to program requirements, including:
 - A five-year debarment against a loan office of a mortgage and investment company for providing false information in connection with eight FHA-insured mortgage transactions; and
 - Three-year debarments against a management company for a HUD assisted elderly housing project and its executive director for unauthorized disbursement of project funds for its own benefit.
 - Indefinite debarments for two individuals based on their convictions in the U.S. District Court for the Eastern District of New York. One individual, an unlicensed

attorney and paralegal, represented non-profit organizations at real estate closings and participated in a fraudulent mortgage scheme which involved mortgages valued at approximately \$70 million on 250 properties in New York. The other individual was a real estate speculator in the scheme and was ordered to pay HUD over \$19 million in restitution.

- A five-year debarment against an individual based on her conviction in the U.S. District Court for the Western District of Michigan. The individual was under contract with HUD as a real estate asset manager and closing agent and she engaged in a scheme to defraud HUD causing a loss to the Department of over \$560,000.

Most recently, in a case that got wide publicity, the DEC suspended two Rhode Island nursing home operators from engaging in any further business transactions with HUD and the Executive Branch of the Federal Government. These suspensions were based on the filing of criminal charges against Antonio L. Giordano and John Montecalvo by the U.S. Attorney for the District of Rhode Island.

In the criminal charge filed with the U.S. District Court for Rhode Island, the U.S. Attorney alleged that between January 1998 and May 2004, Giordano and Montecalvo engaged in equity skimming (in violation of 12 U.S.C. § 1715z-19) by using and authorizing more than \$780,000 in rents, assets, proceeds and other funds derived from three Federal Housing Administration (FHA)-insured nursing

homes they operated, to pay expenses that were not reasonable nor necessary for nursing home operations. The diversion of funds occurred during a period when the FHA-insured mortgages on Coventry Health Center, Mount St. Francis Health Center and Hillside Health Center, the three nursing homes operated by Giordano and Montecalvo, were in default and in a "non-surplus cash" position, in violation of HUD's Regulatory Agreement.

Pursuant to a plea agreement entered into by Giordano and Montecalvo, on June 21, 2006, each of the defendants has pled guilty to one count of Equity Skimming, which upon conviction carries a maximum fine of \$500,000 and five years imprisonment or both. In addition, the plea agreement spells out that the defendants are jointly and severally liable for restitution of the entire amount they skimmed, \$780,539. In addition, the plea agreement permits HUD and other federal agencies to pursue administrative or civil actions against the defendants.

These are real accomplishments and send a strong message that HUD is serious about its mission and serious about protecting those HUD is charged with helping.

The DEC is an invaluable division of the Office of General Counsel. It provides an invaluable contribution to the success of HUD's mission.

It is a rare thing in one's professional career to have the chance to work with public servants who truly want to see their daily labors

benefit the American people. Too often, we see others hurrying off to work and devoting all their time and energies with the aim of personal, not public, enrichment.

Those who make up the DEC are of that special breed that finds fulfillment in service and works for the benefit of others. I too recognize the value of service and firmly believe that service at HUD is an honorable profession.

It is for me the honor of a lifetime to serve as HUD's General Counsel. I have spent the last two decades in the accounting and auditing business, the legal business and, most recently, the computer software business.

Today, when folks ask me what I do for a living I tell them I am in the "hope business" because that is the "business" of HUD. Providing our fellow citizens with hope is what we all do. It is what we strive to do better each and every day.

This country was founded by folks hoping for a life with freedoms never thought possible. In fact, you may be surprised to know that it was on this exact day, August 2, back in 1776 that the Declaration of Independence drafted by Thomas Jefferson was signed by fifty-six congressional delegates. It is hard to imagine appreciating all of the freedoms that the signers to that document envisioned for all of us without a safe, decent and sanitary place to call home.

We have great jobs since we have the great privilege of knowing that we have the ability to make a difference in the lives of so many people, particularly when we help ensure the availability of safe, decent and sanitary affordable housing.

I know what we do improves the quality of affordable housing and provides more choices for residents. I am proud of what we all do together to improve affordable housing. But I am looking ahead and hoping for the day when we measure compassion not by the number of families living in subsidized housing, but by the number of families who have moved up from subsidized housing into a home of their own.

Thank you all very much for what you're doing. Thank you all very much for your hard work on behalf of HUD, the underserved members of our communities, and the American people. Thank you for what you're doing to improve affordable housing across this great nation. Thank you for helping more Americans find dignity and respect in a place that they can call home.

All of you have my personal thanks, the thanks of Secretary Jackson and the thanks of the man I ultimately report to, President George W. Bush.

Many people across the country rely on your dedication and service and I hope this conference provides you with some valuable tools to

aid in your duties on behalf of the American people and a grateful nation.

May God bless you, and may God continue to bless our great country.

Thank you all.